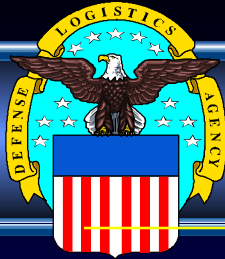


# DEFENSE CONTRACT MANAGEMENT COMMAND

## DCMC OVERHEAD CENTER

**“Leverage Command Resources. . . . Field Focus”**

Lt Col Mike Falvey  
DCMC-OHC



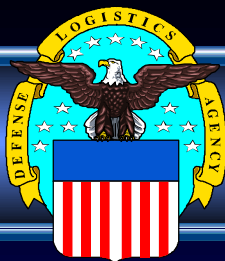
## DCMC OVERHEAD CENTER REORGANIZATION

- \* DCMC Overhead Center of Excellence originally established and chartered in September 1994 as DLA/AQOK
- \* Overhead Center of Excellence mission included:
  - Researching precedent-setting issues
  - Providing source of expertise for DCMC contract negotiators
  - Conducting National Boards of Review
  - Determining overhead trends
  - Performing “should cost” reviews



## OVERHEAD CENTER REORGANIZATION

- \* Reorganization effort initiated per CC's request in early '96
- \* Commander's guidance:
  - Leverage command overhead resources
  - Focus on support to DCMC organizations and personnel
  - Maintain resident overhead expertise at HQ
  - Establish clean and simple lines of communication, command, and control



# Organization and Manpower

AQ - MG Drewes

AQO - Ms. Pettibone

AQOC - Col (S) Ed Burckle

## DCMC- OHC

TEAM CHIEF - Lt Col Mike Falvey

SECRETARY - Ms. Barbara Huamani

14 - Mr. Bill Hill

14 - Mr. Glen Gulden

14 - Vacant

14 - Vacant

14 - Vacant

14 - Ms. Myla Edwards

14 - Mr. Pat Ring

14 - Vacant

14 - Vacant

DCEs (13)

CIPR Teams - New York, Chicago, LA



## OVERHEAD CENTER WORKLOAD

### \* Final Overhead Backlog

- DoD Target is a 24-Month Process: 6 for Proposal, 12 for Audit, 6 for Final Negotiations
- DCMC now has >1300 Open Overhead yrs > 2 years old
  - 25% Have No Proposal
  - 15% In Audit
  - 60% In Negotiation >6 Months
  - Negotiations backlog up >30% since '93
- DCAA stepping out - reduced audit backlog by 25%

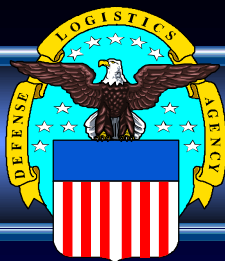
### \* CAS Backlog

- DoD Directive 7640.2 - Contract Audit Reports - Requires Resolution/Disposition within 12 Months
- DCMC presently faces 389 CAS Audits >12 months old



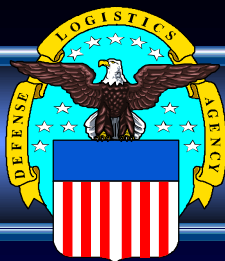
## OVERHEAD CENTER WORKLOAD

- \* FPRA Emphasis - DCMC Metric is 60% FPRAs
  - FPRA and FPRR “effectiveness”
  - FPRA Process Improvements
- \* Mergers and Acquisition Issues - More to Come?
  - Insurance & Pension Issues
  - ‘95 Legislation Requires Certification of Corporate Restructuring Cost Proposals - Complete Proposal, Negotiation and Audit process - A Major Effort (\$ Billions)
  - ‘97 Legislation requires detailed GAO review of “Savings”
  - A High Visibility, High Value Effort



## OVERHEAD CENTER WORKLOAD

- \* Establish Overhead “Hot-Line”
- \* Should Cost Reviews - Source of DCMC Expertise
- \* National Boards of Review - Average - 6 per month
  - Precedent Setting Issues
- \* DCE and CACO Coordination
  - Emerging Issues - Consistent Guidance
- \* CIPR Team Coordination - Refocus
- \* Education - Maintain and Build Command’s Resources



# OVERHEAD CENTER “GAMEPLAN”

## UPDATE

- \* General Order 1-97
- \* Charter - Policy Letter 97-11
- \* New Hires

## PROCESS



- DCEs** - Corporate Rates
- Corporate Attention
  - Divisional Assistance

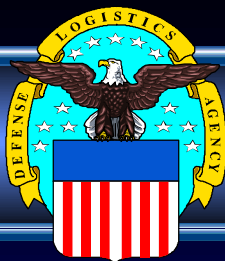
- SITE VISITS** - Coord With Districts
- Data Analysis - Coordinate With DCAA
  - Inbrief - Group/Individual Discussions
  - Commitment - Planning
  - Apply Expertise - Follow-up

## **EVERYONE!**

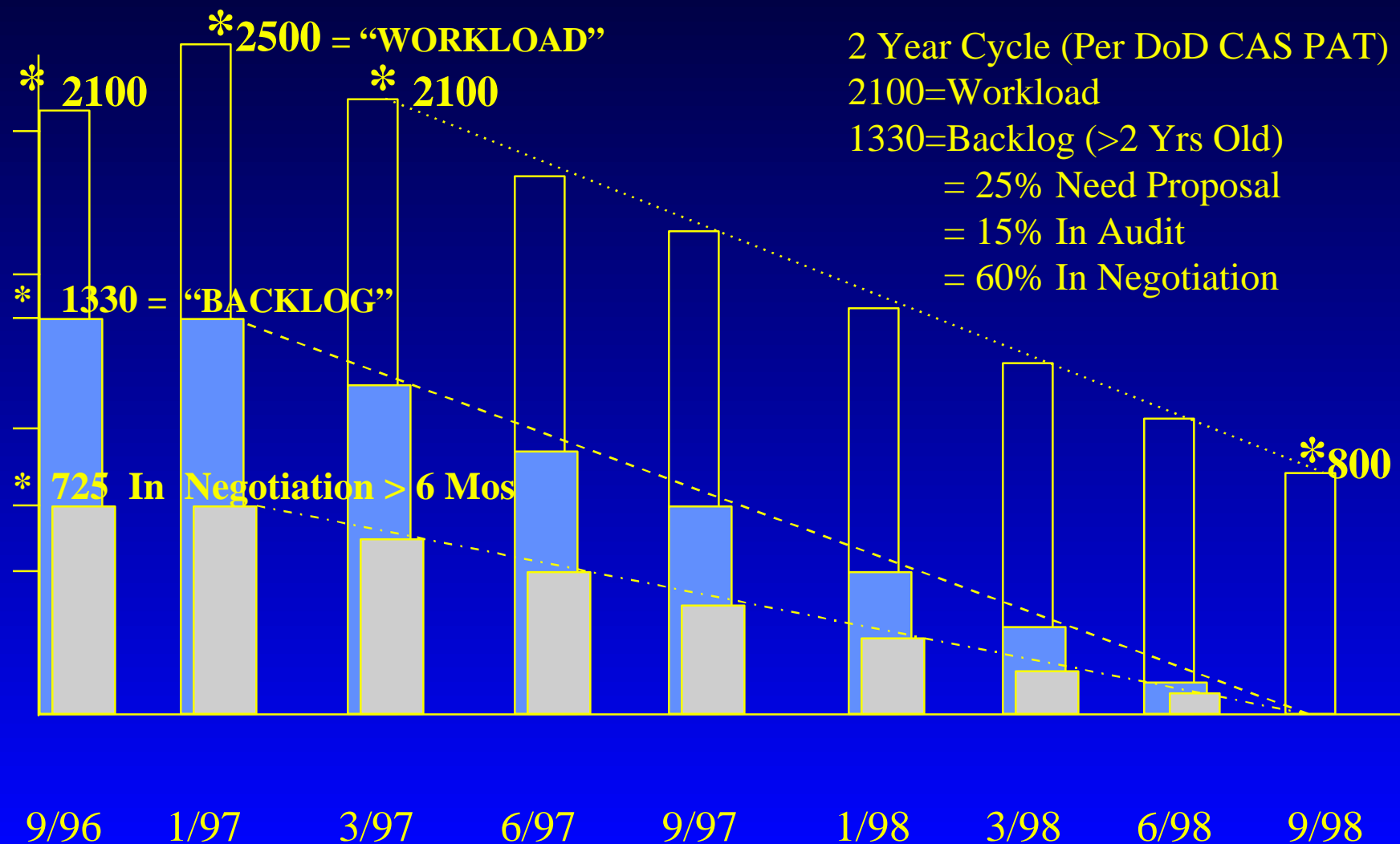
### GOAL

- \*\* Eliminate “Backlog”
- \*\* 24 Month Cycle





## OVERHEAD CENTER TARGET





# SITE VISITS

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

▲ **CAO BALTIMORE 200+ YRS**

▲ **CAO VAN NUYS 150+ YRS {65 TRW}**

▲ **CAO SAN FRANCISCO 160+ {30% Litton}**

▲ **CAO BOSTON 40+**

▲ **LOCKHEED MARTIN DELAWARE 50+**

▲ **CAO DENVER 100+**

▲ **CAO ATLANTA 60+**

▲ **CAO SANTA ANA 80+**

TEAMS DETERMINED  
BASED ON ANALYSIS

▲ **CAO CLEVELAND 45+**

▲ **DCMC BOEING**

▲ **HUGHES L.A.**

▲ **TBD - BY DISTRICTS**

Evaluate Database  
Establish Assessment Process  
Identify Process Improvements  
Energize DCEs

Perfect Assessment Process  
Identify Process Improvements  
Improve DCAA/DCMC  
Coordination

Tailored Support  
Follow-up With Initial Sites  
Identify Future Sites



# EXPERIENCES TO DATE

## Problem Areas

- \* Litigation
- \* Corporate Rates
- \* Boards of Review
- \* Workload
- \* Mergers
- \* Missing Proposals
- \* “Expertise”
- \* Prioritization

## What Works

- \* Planning - Advanced Agreements (Legal & Other Issues)
- \* Simultaneous and Multiple Year Negotiations
- \* Proposal Pressure - \$\$, DCE and CEO/CFO Involvement
- \* Coordination and Teaming with DCAA
- \* Workshops - Synergy - More Planning - Prioritization!



## PROCESS IMPROVEMENTS

- \* Manpower and Prioritization not the entire answer
- \* Team must identify and pursue process improvements
  - Promote “best practices” and “lessons learned”
- \* DCMC Memorandum No.97-07, Cost Accounting Stds Policy
  - Determination of “Materiality”
- \* DCMC Policy Memorandum 97-14, Reviews and Approval
  - Eliminates need for most reviews beyond the local office
  - New Thresholds
- \* Proposed One Book Changes for Overhead Board Requirements
  - 80% of questioned costs sustained & 20% <\$1M = Optional



## DCEs & CACs

### The “Nature and Level of Support” - What the DCEs Have to Say

- Need “early, real-time engagement with the final OH claim process and employ more far reaching risk assessment & mgmt techniques - i.e., embrace parametric techniques in a stable environment with good internal controls and low dollar value costs sustained as unallowable historically”
- “Outstanding at XYZ Corp - CAC coordination is extremely useful - CAC gives the DCE input on how costs are being treated at other contractors and ensures consistency at other XYZ locations”



## DCEs & CACs

- “Room for additional coordination between DCAA and DCMC on contractor Insurance & Pension costs”
- “Keep ACOs aware of special audit concerns, topics, and priorities  
- especially in restructuring and pensions”
- “No surprises! - good relationship at ABC Corp - need close coordination regarding insurance and pensions”
- “Concurrent sit visits (CAC and DCE) send the message that we’re a team - Finance VP really likes them - things really happen!”



## DCEs & CACs

- “I’d like to see the CACs participate at other locations within the corporate structure.”
- Complaint - “DCEs/CACOs determine “corporate” issues (e.g., facilities, airfares, consultants), but field auditors issue specific audits locally without coordinating with the CAC or CACO”
- “Ensure DCEs get copies of all audits on corporate segments so that we can review for consistency throughout the corporation.”
- Complaint - “Need to maintain cognizance continuity! One change is disruptive - we’ve had three at ABC Corp!”



## DCEs & CACs

- “The most valuable services provided by the CAC involve **networking with XYZ Corp resident audit offices** to:
  - Review draft audit reports - provide sanity check on local positions and **assure consistency between locations** within the corporation
  - **Resolve disputes between resident offices** - especially when costs are being transferred from one segment to another and the respective audit offices disagree on treatments
  - **Research issues** by surveying other corps with a CAC
  - **Take the lead for DCAA** on initiatives like OH and SPI





## DCEs & CACs

- “I participate in the development of the audit plan for XYZ and . . . when the plan is presented to XYZ”
- “Issues elevated by the CAC to his region are always coor’d with me prior to going forward”
- “When I visit any XYZ segment, I always visit the DCAA offices where I am provided any assistance I need”